

## Message Text

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ACTION STRE-00

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05  
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02  
OMB-01 DOE-15 /126 W  
-----022327 062142Z /66

R 060956Z APR 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC 9675  
INFO ALL EC CAPITALS  
USMISSION GENEVA

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DEPT PASS STR AND AGR ELECTRONICALLY

USEEC ALSO FOR EMBASSY

USMTN

E.O. 11652: N/A  
TAGS: ETRD, EGEN, GATT, EEC, FR, EAGR  
SUBJ: MTN -- MCDONALD'S DISCUSSIONS WITH FRENCH  
OFFICIALS

REF: PARIS 11249

1. BEGIN SUMMARY: IN SEPARATE TALKS APRIL 5 WITH  
PAYE AT THE PRIME MINISTER'S OFFICE AND DE MOREL OF  
THE MINISTRY OF FOREIGN TRADE, AMBASSADOR MCDONALD  
REVIEWED THE STATUS AND OUTLOOK FOR MTN NEGOTIATIONS.  
PAYE EMPHASIZED WELL-KNOWN FRENCH POSITIONS; INDICATED  
THAT THE FUNDAMENTALS OF FRENCH TRADE POLICY WILL NOT  
CHANGE AS A RESULT OF THE ELECTIONS; SAID THAT WHILE  
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FRANCE WOULD BE TOUGH ON DEFENDING ITS INTERESTS, IT  
IS PREPARED TO MOVE AHEAD WITH THE NEGOTIATIONS; AND  
EMPHASIZED BARRE'S INTEREST IN LIBERAL TRADE POLICIES  
AS A MEANS OF COUNTERING INFLATION. DE MOREL SUMMA-  
RIZED HIS UNDERSTANDING OF THE OUTCOME OF THE APRIL 4  
EC COUNCIL MEETING. HE REVIEWED WITH MCDONALD THE MAIN  
ELEMENTS OF THE NEGOTIATIONS, INCLUDING CODES AND

CERTAIN AGRICULTURAL ISSUES. END SUMMARY.

2. PAYE (BARRE'S DIPLOMATIC ADVISER AND EC AFFAIRS COORDINATOR) INDICATED THAT THE ELECTIONS AND THE APPOINTMENT OF A NEW GOVERNMENT UNDER BARRE WOULD NOT BRING ANY FUNDAMENTAL CHANGES TO FRENCH VIEWS ABOUT MTN. LIKE THE U.S., FRANCE INSISTS ON A GLOBAL APPROACH OF WHICH TARIFFS ARE ONLY ONE ASPECT. LIKE THE U.S., FRANCE WILL ONLY MAKE A FINAL JUDGMENT WHEN ALL ELEMENTS OF A PACKAGE ARE ON THE TABLE.

3. PAYE SAID THAT THE U.S. INITIAL OFFER IS "WORTH CONSIDERING" BUT WILL NEED CERTAIN IMPROVEMENTS FROM THE FRENCH AND EC STANDPOINT. THE FRENCH GOVERNMENT CONSIDERS THE JAPANESE GOVERNMENT'S OFFER "BARELY DECENT" EVEN AS A STARTING POSITION. IT MUST BE GREATLY IMPROVED.

4. PAYE INDICATED THAT HE WAS NOT YET FULLY INFORMED ON WHAT HAD HAPPENED IN THE APRIL 4 EC COUNCIL MEETING. HE UNDERSTOOD THAT THE COUNCIL HAD ACCEPTED THE PRINCIPLE OF A HARD-CORE EXCEPTIONS LIST INVOLVING COMPLETE OR PARTIAL WITHDRAWALS OF CERTAIN FORMULA CUTS AND A CONDITIONAL LIST LINKED TO NON-TARIFF MEASURES SUCH AS CUSTOMS EVALUATION AND SAFEGUARDS. PAYE SAID THAT HE HAD BRIEFED THE PRIME MINISTER THE PREVIOUS DAY AND LIMITED OFFICIAL USE

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THAT BARRE HAD RECONFIRMED FRANCE'S BASIC POSITION IN THE NEGOTIATIONS. FRANCE IS READY TO SEE THE COMMUNITY GO AHEAD WITH INTENSIVE NEGOTIATIONS WITH THE AIM OF DEVELOPING A PACKAGE BY MID-SUMMER IF POSSIBLE. ON THE OTHER HAND, FRANCE CONTINUES TO BELIEVE THAT THE MTN, WHILE OF PSYCHOLOGICAL IMPORTANCE, IS OF LIMITED ECONOMIC SIGNIFICANCE -- ESPECIALLY GIVEN THE MAGNITUDE OF EXCHANGE RATE FLUCTUATIONS THAT THE WORLD HAS SEEN RECENTLY.

5. MCDONALD REBUTTED THE FOREGOING POINT BY EMPHASIZING NOT ONLY THE PSYCHOLOGICAL IMPORTANCE OF THE MTN BUT, ABOVE ALL, ITS IMPORTANCE AS AN OPPORTUNITY TO DEVELOP A FRAMEWORK FOR INCREASED INTERNATIONAL DISCIPLINE IN THE TRADE FIELD. HE REVIEWED WHERE WE STAND ON THE VARIOUS CODES THAT HAVE BEEN DISCUSSED IN GENEVA. HE RECOGNIZED THAT TARIFFS ARE ONLY ONE ELEMENT IN THE SITUATION, ALBEIT AN ESSENTIAL ELEMENT. PAYE SAID THAT IN ANY CASE, BARRE IS COMMITTED TO LIBERAL TRADE POLICIES. FOR ONE THING, HE WANTS TO LOOSEN UP INTERNAL PRICE CONTROLS AND NEEDS IMPORT COMPETITION TO HOLD DOWN INFLATIONARY PRESSURES.

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6. IN RESPONSE TO PAYE'S QUESTION, MCDONALD INDICATED THAT THE GOAL OF A SUBSTANTIAL AVERAGE TARIFF CUT -- ALONG LINES PREVIOUSLY DISCUSSED BY THE U.S. -- REMAINS IMPORTANT FOR VARIOUS REASONS. FOR EXAMPLE, MAINTENANCE OF THIS GOAL SHOULD HELP BRING THE JAPANESE ALONG WITH A SUBSTANTIAL IMPROVEMENT IN THEIR OFFER. WE ALSO REQUIRE A MEANINGFUL RESULT IF WE ARE TO GET A PACKAGE THROUGH THE CONGRESS.

7. WITH REGARD TO AGRICULTURE, PAYE SUGGESTED THAT FRANCE AND OTHERS IN THE COMMUNITY ARE STILL SUSPICIOUS ABOUT U.S. INTENTIONS TOWARD THE CAP. THE FRENCH SITUATION IS PARTICULARLY DELICATE IN THAT THE INTERNAL AGRICULTURAL BALANCE IN THE COMMUNITY HAS CHANGED SINCE THE EARLY DAYS. BRITAIN REPRESENTS AN IMPORTANT WEIGHT IN TERMS OF CONSUMER INTERESTS. DENMARK AND NOW THE FRG, HOWEVER, HAVE VERY IMPORTANT INTERESTS AS

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PRODUCERS. ON BALANCE, FRANCE IS STILL ATTACHED TO THE CAP AND MUST ASSURE THAT MTN PRESSURES DO NOT UPSET IT. IN RESPONSE TO PAYE'S QUESTIONS, MCDONALD EXPLAINED THE PROBLEMS WE WOULD HAVE IN CONNECTION WITH A COARSE GRAINS AGREEMENT AS SUGGESTED BY THE COMMUNITY AND THE SPECIFIC DIFFICULTIES WE HAVE WITH THE MINIMUM/MAXIMUM PRICE ASPECT OF THE WHEAT AGREEMENT PROPOSALS.

8. PAYE AND MCDONALD AGREED THAT, WHILE THE OUTLINES OF AN AGREEMENT ARE NOT YET CLEAR, BOTH SIDES SHOULD HAVE AN INTEREST IN PURSUING THE AGRICULTURAL WORK SO THAT IT WILL BE READY WHEN OTHER PARTS OF THE PACKAGE ARE READY.

9. IN A SEPARATE TALK WITH DE MOREL AND PREVEL (EXTERNAL RELATIONS STAFF OF THE FOREIGN TRADE MINISTRY) MCDONALD COVERED MANY OF THE SAME POINTS DISCUSSED WITH PAYE. DE MOREL AND PREVEL HAD JUST RETURNED FROM THE EC COUNCIL MEETING. THEY GAVE A NUANCED REPORT INDICATING THAT THE COUNCIL HAD "TAKEN NOTE" OF THE COMMISSION'S PROPOSALS AND APPARENTLY AGREED IN PRINCIPLE ON A "HARD-CORE" LIST OF WITHDRAWALS AND A SUPPLEMENTARY OR CONDITIONAL LIST. DE MOREL SAID THAT THE HARD-CORE LIST WOULD RESULT IN AN AVERAGE EC TARIFF CUT OF ABOUT 32 PERCENT. ON THE OTHER HAND, HOWEVER, HE SUGGESTED THAT THE COMMISSION WITH THE ARTICLE 113 COMMITTEE HAS LATITUDE AS TO HOW AND WHEN TO PRESENT THE EC LISTS. HE ALSO SAID THAT THERE IS NOT YET FULL AGREEMENT AMONG THE MEMBER STATES ON ALL DETAILS OF THE LISTS. (COMMENT: IT IS THUS NOT CLEAR FROM HERE WHETHER THE "HARD-CORE" ELEMENT IS IN FACT IMMUTABLE. VARIOUS QUESTIONS BY DE MOREL ABOUT OUR INTENTIONS REGARDING THE U.S. OFFER COULD IMPLY THAT THE COMMISSION LIMITED OFFICIAL USE

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HAS SOME LATITUDE REGARDING BOTH OF THE EC LISTS. END COMMENT.) MCDONALD EMPHASIZED THE ADVANTAGES OF OUR OFFER INCLUDING GREATER-THAN-FORMULA ITEMS.

10. MCDONALD EXPLAINED CURRENT U.S. VIEWS WITH REGARD TO SAFEGUARDS, PUBLIC PROCUREMENT, AND THE VARIOUS OTHER CODES UNDER DISCUSSION IN GENEVA. HE PUT THESE MATTERS IN CONTEXT AS KEY ELEMENTS IN THE FINAL MTN PACKAGE -- A MEANS OF IMPROVING THE FUNCTIONING OF THE WORLD TRADE SYSTEM BY INCREASING THE DEGREE OF DISCIPLINE. PREVEL WAS OBVIOUSLY MORE UP TO DATE ON DETAILS OF THE CODES THAN DE MOREL. HE SEEMED SYMPATHETIC TO MANY OF OUR

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ARGUMENTS, INCLUDING OUR HOPE TO FIND A REASONABLE  
COMPROMISE ON THE STANDARDS CODE THAT WOULD BE  
CONSISTENT WITH THE U.S. LEGAL SYSTEM. ON SAFEGUARDS,  
THE NET OF DE MOREL'S COMMENTS SEEMED TO BE THAT THE U.S.  
ATTITUDE ON SELECTIVITY IS TOO RESTRICTIVE TO SUIT  
FRANCE BUT HE DOES AGREE THAT THERE MUST BE CONSTRAINTS  
AND DISCIPLINE IN APPLYING SELECTIVE SAFEGUARDS.

11. ON AGRICULTURAL ASPECTS OF THE NEGOTIATIONS,  
DE MOREL CONCENTRATED ON GRAINS. HE AND MCDONALD  
TOUCHED ON THE WHEAT AGREEMENT SITUATION AS WITH PAYE.  
ON COARSE GRINS, MCDONALD ZEROED IN HEAVILY ON OUR  
INABILITY TO UNDERSTAND THE REAL FRENCH OR COMMUNITY  
INTEREST IN AN AGREEMENT INVOLVING STOCKS AND PRICE  
NGES. HE EXPLAINED THIS IN TERMS OF THE OVERWHELMING  
IMPORTANCE OF THE U.S. INTERNAL MARKET IN RELATION TO  
STOCKS AND INFLUENCE ON WORLD PRICES. DE MOREL TOOK  
CAREFUL NOTE. HE SAID THAT AT A MINIMUM FRANCE  
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BELIEVES AN OVERALL MTN PACKAGE NEXT SUMMER MUST  
INCLUDE AGREED PRINCIPLES FOR GRAINS AGREEMENTS. IN  
THE COURSE OF DISCUSSION, MCDONALD BROUGHT OUT OUR  
CONTINUED REQUIREMENT FOR SOME SATISFACTORY ACCESS  
ASSURANCES ON VARIOUS AGRICULTURAL COMMODITIES.

12. THIS TELEGRAM WAS DRAFTED AFTER MCDONALD'S  
DEPARTURE.  
HARTMAN

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## Message Attributes

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